

pensions@hackney

LONDON BOROUGH OF HACKNEY

PENSION FUND

BUSINESS PLAN

2016-2019



INTRODUCTION

The London Borough of Hackney is the Administering Authority of the London Borough of Hackney Local Government Pension Scheme (LGPS). Management of the Pension Fund is delegated to the Pensions Committee acting in the role of 'trustees' of the Pension Fund. The day to day running of the Fund has been delegated to the Group Director, Finance and Corporate Resources, the Director, Financial Management and the Financial Services section of the Council. The Financial Services section has responsibility for all aspects of the day to day running of the Fund including administration, investments and accounting.

The purpose of this document is to set out a business plan for the Pension Fund for the period 2016-2019 and to outline the Fund's goals and objectives over the longer term. The business plan details our priorities and areas of key focus in relation to the London Borough of Hackney Pension Fund for 2016/17, 2017/18 and 2018/19. This business plan was approved at the London Borough of Hackney Pension Fund Committee meeting on 27th June 2016. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored and the Pensions Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

- explain the background and objectives of London Borough of Hackney for the management of the Hackney Pension Fund
- document the priorities and improvements to be implemented by the pension service during the next three years to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide staff, partners and customers with a clear vision for the next three years.

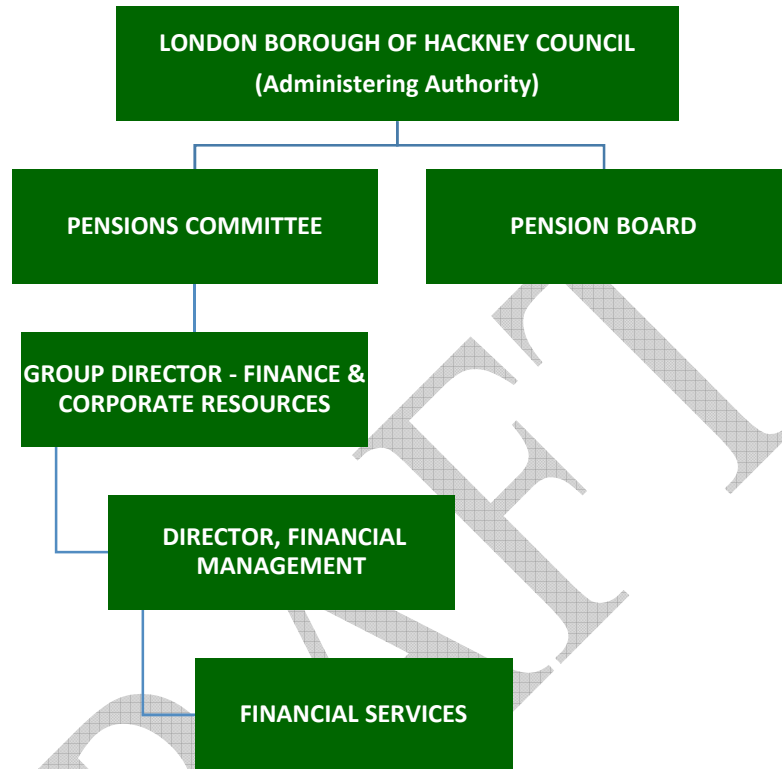
In addition, this business plan includes a budget for expected payments to and from the Hackney Pension Fund during 2016/17 and 2017/18 including the resources required to manage the Fund.

GOVERNANCE & MANAGEMENT OF THE FUND

The key decision making and management of the Fund has been delegated by the London Borough of Hackney (the Council) to a formal Pension Fund Committee (called the Pensions Committee), supported by officers of the Council and advisers to the Pension Fund. Ian Williams, the Group Director, Finance and Corporate Resources is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Pension Fund matters. In addition, a local pension board has been in place since 2015 to assist in:

- securing compliance of Fund matters including any requirements imposed in relation to the LGPS by the Pensions Regulator and
- ensuring the efficient and effective governance and administration of the Fund.

This structure is illustrated below.



OBJECTIVES

The primary objectives of the Fund have been agreed by the Pensions Committee and are sub-divided into specific areas of governance, funding, investments, administration and communications:

Governance Objectives
1. All staff and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
2. The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
3. To understand and ensure compliance with all relevant legislation
4. To ensure the Fund aims to be at the forefront of best practice for LGPS funds
5. Ensures the Fund manages Conflicts of Interest

Funding Objectives

6. To ensure the long-term solvency of the Fund.
7. To help employers recognise and manage pension liabilities as they accrue.
8. To minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so.
9. To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations. (Including: To address the different characteristics of disparate employers or groups of employers to the extent that this is practical and cost effective.)

Investment Objectives

10. Optimising the return on investment consistent with a prudent level of risk
11. Ensure that there are sufficient assets to meet the liabilities as they fall due (i.e. focus on cash flow requirements)
12. Ensure the suitability of assets in relation to the needs of the Fund (i.e. delivering the required return).
13. Ensuring that the Fund is properly managed (and where appropriate being prepared to change).
14. Set an appropriate investment strategy for the Fund to allow the Administering Authority to seek to maximise returns (and minimise the cost of benefits) for an acceptable level of risk') Ensure return seeking assets are in line with Funding objectives.

Administration Objective

15. To deliver an efficient, quality and value for money service to its scheme employers and scheme members

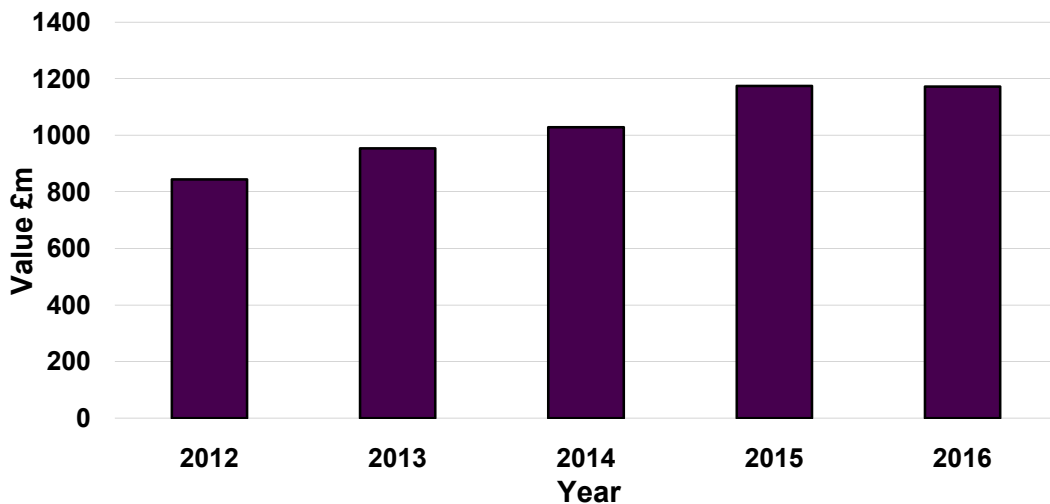
Communications Objective

16. Ensure that all stakeholders are kept informed of developments within the Pension Fund. Ensuring that all parties are aware of both their rights and obligations within the Fund.

PENSION FUND STATISTICS

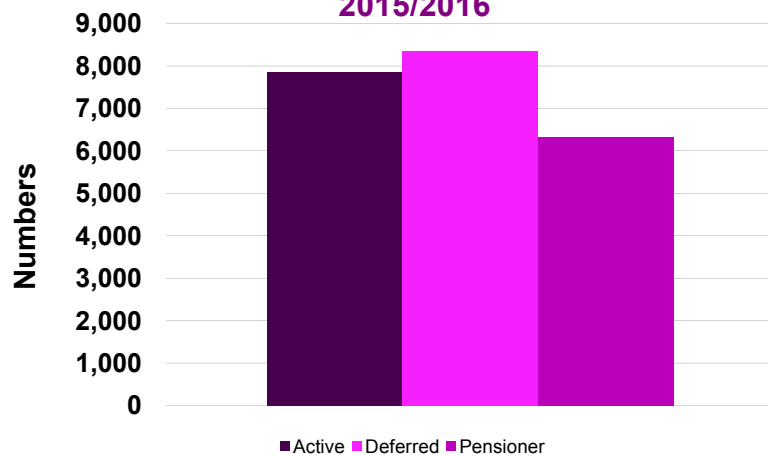
The London Borough of Hackney Pension Fund was valued at £1,172.3m as at the 31st March 2016 with 22,510 members.

Fund Value Over 5 Years to 31st March 16

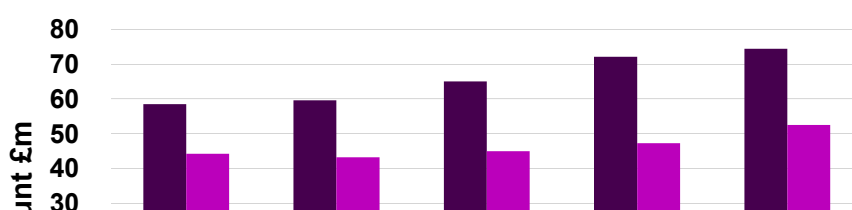


Fund membership was 22,510 made up of 7,843 active, 8,346 deferred members and 6,321 pensioners and dependents

Membership Profile for the Pension Fund 2015/2016

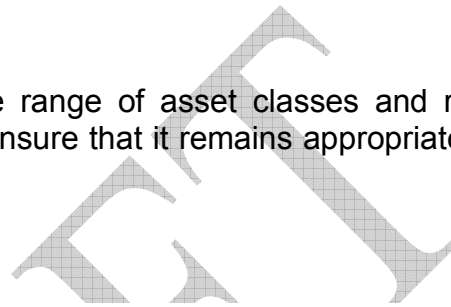


Contributions Received vs. Benefits Paid

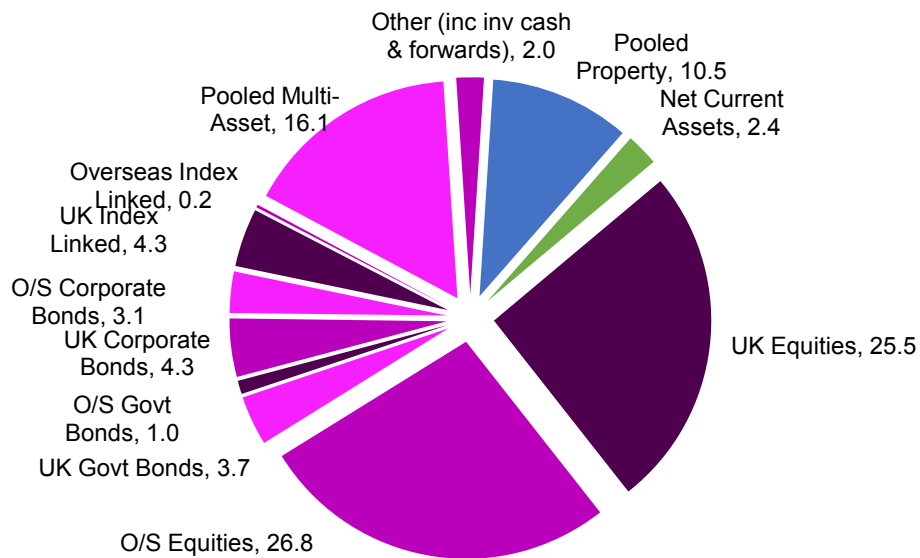


The Fund remained cash flow positive during the 2015/16 Financial Year, with both benefits paid and contributions received up on the previous financial year.

The Pension Fund invests in a wide range of asset classes and regularly reviews its asset allocation policy to ensure that it remains appropriate for the Fund.



Asset Breakdown per %



PENSION FUND BUDGET 2016-17

The budget for the Pension Fund for 2016-2017 and includes a draft budget for the following financial year is set out below and was approved by the Pensions Committee at its meeting in March 2016:

Description	2015-16 Outturn £'000	2016-17 Budget £'000	2017-18 Budget £'000	Comments
Member Income				
Employers' Contribution	62,162	56,590	54,352	Forecasts reflect assumed salary increases combined with expected decrease in membership due to downward pressure on staff numbers.
Employees' Contribution	12,259	11,767	11,302	
Transfers In	5,917	4,871	4,678	Decrease reflects anticipated slowdown in recruitment and additional options for pensions.
Member Income Total	80,338	73,228	70,332	
Member Expenditure				
Pensions	(39,576)	(40,239)	(41,454)	Slight increase reflecting anticipated increase in number of pensioners.
Lump Sum Commutations and Death Grants	(12,919)	(11,057)	(11,391)	Slight increase, but it is difficult to predict level of death grants.
Refund of Contributions	(165)	(176)	(178)	Small inflationary increase expected to Refund costs.
Transfers Out	(4,999)	(4,717)	(4,859)	Increase in costs reflects anticipated increase in number of pensioners and deferred members, along with inflationary increase.
Member Expenditure Total	(57,659)	(56,189)	(57,882)	
Net Member Surplus	22,679	17,039	12,449	
Management Expenses				
Administration, Investment Management and Governance & Oversight	(5,257)	(3,807)	(3,895)	Slight year-on-year inflationary increase in costs due to increased TPR oversight and external audit of administration.
Net Administration Expenditure	(5,257)	(3,807)	(3,895)	
Surplus from Operations	17,422	13,232	8,554	
Investment Income/Expenditure				
Investment Income	14,751	14,338	14,338	Investment income expected to remain constant across the period.
Net Investment Income/Expenditure	14,751	14,338	14,338	
Cash Flow before Investment Performance	32,173	27,570	22,892	

BUSINESS PLAN 2016-2019

In order to meet the objectives of the Pension Fund, the Pensions Committee has reviewed and agreed a business plan for the period 2016-2019. This has to be put into the context of a period of significant uncertainty for the Fund, which reflects not just ongoing volatility in investment markets, but also measures for structural reform which is currently under consultation but could have a fundamental impact on the overall management of the Fund. Set out in the table below is the 3 year business plan for the Pension Fund:

	2016/17	2017/18	2018/19	Objective Reference(s)
Governance Objectives				
Pension Fund Accounts	April - September	April - September	April - September	1, 2, 3, 7, 13, 15, 16
Approve Final Pension Fund Report & Accounts	September	September	September	1, 2, 3, 7, 13, 15, 16
Employer Forum	November	November	November	3, 4, 7, 8, 9, 15,16
Review Risk Register	January - March	January - March	January - March	1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 13,
Governance Review including TPR Code of Practice	July - October	March - June	March - June	1, 2, 3, 4, 5
Governance Policy Review	December - March	December - March	December - March	1, 2, 3, 4, 5
Self-Assessment & Review of Advisers	March - June	March - June	March - June	1, 2, 3, 4, 5
Member's Training Programme to include Pensions Board	Quarterly	Quarterly	Quarterly	1, 2, 4, 15
Induction training for any new PC members at start municipal year	June - December	June - December	June - December	1, 2, 4, 15
Training Policy Review	November – January	November – January	November – January	1,3,4
Conflicts of Interest Policy Review			March	5
Procedure for Reporting Breaches Review			June	3
Pensions Board –Annual Reporting	June - September	June - September	June - September	1, 2, 3, 4, 6, 7, 8, 9,10, 11, 12, 13, 14, 15, 16
Review Performance, funding, budget	Quarterly	Quarterly	Quarterly	1, 2, 3, 4, 6, 7, 8, 9,10, 11, 12, 13, 14, 15, 16
AVC Review	September - January			1, 2, 3, 4, 5
Actuarial Services tender			June - October	1, 2, 3, 4, 5
Funding Objectives				
Actuarial Valuation 2016	April - March			5, 6, 7, 8, 9, 15, 16
Funding Strategy Statement	September - March			5, 6, 7, 8, 9, 15, 16

	2016/17	2017/18	2018/19	Objective Reference(s)
Longevity Monitoring – Club Vita	January - March	January - March	January - March	4, 5, 6, 7, 8, 9, 15, 16
Investments Objectives				
Review Statement of Investment Principles/Development of new Investment Strategy Statement (incl Climate Change policy statement)	June- - September/In line with publication of investment management regulation and guidance	As required	As required	1, 3, 10, 11, 12, 13, 14, 15, 16
Investment in Infrastructure analysis	August - March	April - August		1, 2, 4, 10, 11, 12, 13, 14, 15
Strategic Asset Allocation - Regular Review	Ongoing	Ongoing	Ongoing	1, 4, 6, 8, 9, 10, 11, 12, 13, 14,
Strategic Asset/Liability Review	April - December			5, 10, 11, 12, 13, 14, 15, 16
Pension Fund Treasury Management Strategy	January	January	January	1, 9, 10, 11, 12, 13, 14, 15
Individual Manager Review	Quarterly	Quarterly	Quarterly	1, 2, 4, 10, 11, 12, 13, 14, 15
Asset/Liability Monitoring	Ongoing	Ongoing	Ongoing	5, 10, 11, 12, 13, 14, 15, 16
Collaborative working – London CIV & DCLG asset Pooling requirements	Ongoing	Ongoing	Ongoing	1, 2, 4, 10, 11, 12, 13, 14, 15
Consider implications of the second Markets in Financial instrument Directive (MIFID II)		December - March	March - June	1, 3, 10, 11, 12, 13, 14, 15
Implementation of climate change resolutions	Jun – Sept (carbon footprinting) and ongoing	Ongoing	Ongoing	1, 3, 10, 11, 12, 13, 14, 16
Pension Administration				
Restaged auto-Enrolment	April-September			1, 2, 3, 15, 16
Pension Administration Strategy		January - March		1, 2, 3, 7, 9, 15, 16
Annual Pension Administration Performance Review	June	June	June	1, 2, 3, 7, 9, 15, 16
Scheme/GMP Reconciliation	April - March			1, 2, 3, 15, 16
Employer data improvements	April - March			1, 2, 3, 7, 9, 15, 16
Third Party Administration Tender	June - March	April - June		1, 2, 3, 4, 5, 15, 16
Agree any further administration improvements with third party provider		June - December		1, 2, 3, 7, 9, 15, 16
Communications				

	2016/17	2017/18	2018/19	Objective Reference(s)
Annual Benefit Statements	June - August	June - August	June - August	3, 15,16
Communications Policy Review	January – March	January – March	January – March	1, 2, 3, 15, 16
Policy Review				
Administering Authority Discretions Review	January - March		January - March	1, 2, 3, 4, 5, 9, 10, 15, 16
Admission Bodies Policy	September		September	1, 2, 3, 4, 5, 9, 10, 15, 16
Employing Authority Discretions Review	January - March		January - March	1, 2, 3, 4, 5, 9, 10, 15, 16

Attached as an appendix to this report is an indicative work plan for the Pensions Committee for the current financial year 2016-17 which covers in more detail the items set out in the longer term business plan.

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Indicative Work Plan for Pensions Committee 2016 - 2017

27th June 2016 – Agenda

1. Training Session – Active and Passive investment approach
2. Co-Optee Members of Pensions Committee
3. Quarterly Monitoring Report
4. Investment Pooling Update and July submission
5. Fair Deal Consultation
6. Pensions Committee Review of 2015-16
7. Pension Fund Administration Annual Report
8. Business Plan 2016-19
9. Governance – Self Assessment and Assessment of Advisers

15th September 2016 – Agenda

1. Training Session – Actuarial Training
2. Fund Manager Reports – Lazard's (Global Equity)
3. Pension Fund Audit
4. Pension Fund Annual Report & Accounts 2015-2016
5. Draft Actuarial Valuation and draft Funding Strategy Statement
6. Admission Body Policy
7. Infrastructure Investments
8. Quarterly Monitoring Report
9. Investment Pooling Update
10. Pension Board Annual Report
11. The Pension Regulator Code of Practice Compliance Check
12. Climate change resolutions – implementation update

November 2016 (Additional Strategy Meeting as required)

24th January 2017 – Agenda

1. Training Session – Financial Markets & Product Knowledge
2. Fund Manager Reports – F&C (Fixed Interest)
3. Club Vita – Longevity Monitoring
4. Cashflow Monitoring
5. Pensions Risk Register
6. Collaborative Working Progress
7. Investment Consultancy Procurement
8. Statement of Investment Principles review
9. AVC Provision Review
10. Third Party Administrator Procurement
11. Employer Data Quality Analysis
12. Communications Policy
13. Pension Fund Treasury Management Strategy
14. Training Policy Review
15. Quarterly Monitoring Report

February 2017 (Additional Strategy Meeting as required)

29th March 2017 – Draft Agenda

1. Training Session – Economic and Investment Outlook
2. Fund Manager Reports – Wellington (Global Equity)
3. Pension Fund Budget 2016/17
4. Pension Fund Audit Arrangements 2016/17
5. Actuarial Valuation 2017 Results and Funding Strategy Statement approval
6. Collaborative Working Progress
7. Quarterly Monitoring Report
8. Governance – Self Assessment and Assessment of Advisers
9. Governance Policy Review
10. Discretions Policies Review

Draft Communications Plan 2016-2017

Objective of the Communications Strategy

The aim of the communication strategy is to make sure that all stakeholders are kept informed of developments within the Pension Fund. Effective communications will help to maintain the efficient running of the Scheme and ensure all parties are aware of their rights and responsibilities within the Fund.

An outline communications plan for 2016-2017 is set out below:

Stakeholders	Scheme Member	Prospective Scheme Members	Employers	Press and FOI Requests	Central Government & the Pensions Regulator
Type of Communication					
Annual Benefit Statements	July-August				
Annual Newsletter	August - September		August - September		
Individual Member Self-Service	Available – Reminder in newsletter				
Website	Updates posted as required	Updates posted as required	Updates posted as required		
Posters/Scheme Guides	June - March	June - March	June - March		
Induction Sessions	Weekly	Weekly	As required		
Pre-Retirement Seminars	As required				
Employer Forum			November - January		
Employer training workshops			As required		
Pensions Admin Strategy			January - March		
Report & Accounts	Annual Newsletter		November		October
Funding strategy Statement			September - January		
Ad-Hoc Queries	Within set timescales	Within set timescales	Within set timescales	Within set timescales	Within set timescales
Pension Board	April - March	April - March	April - March		As Required
GMP Letters - Reconciliation	January - March		November - January	As Required	As required

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